

TOBACCO SETTLEMENT TRUST FUND

Proposed Operational and Allocation Plan

Introduction

This paper details the rationale and goals for the Tobacco Settlement Trust Fund, and describes the administration's proposals for the Fund's management structure and FY 2001 use of a portion of the available dollars.

Background

The intent of the lawsuit brought by the District of Columbia and 46 states and territories was to recoup a portion of the public costs for treating current and future smoking-related illnesses. The Master Settlement Agreement signed by these parties in November 1998 will provide an estimated \$253 billion over a 25-year period. The District is projected to receive approximately \$1.2 billion. The administration is proposing a plan to protect further these funds from unintended uses.

The Tobacco Settlement Trust Fund (the "Fund") was created by the Council of the District of Columbia in the "Service Improvement and FY 2000 Budget Support Act of 1999." This Act requires that all proceeds from the Tobacco Settlement be deposited into this Fund within the general fund and dictates that the funds only "be used for the purposes set forth in legislation adopted by the Council." No other guidelines or procedures were established to make expenditures from the Fund.

The administration is submitting a spending plan for Tobacco Settlement payments received through FY 2001 concurrent with the submission of the Mayor's FY 2001 budget. This plan supports new initiatives and pilot programs in the areas of tobacco control, health and education improvements, and strengthening families. Beginning with payments received in FY 2002, the administration proposes establishing a three-tier fund management structure to protect monies from uses outside the aforementioned areas. A majority of the funds would be guided by an Advisory Commission comprised of health, education, and family services experts; Councilmembers; and District government officials.

Principles for Governing Use of Tobacco Settlement Proceeds

- Spending should be limited to purposes related to tobacco control, health promotion, education, and supporting families
- Community participation in determining priorities and uses for the funds is essential

- When feasible, funds should be directed to community-based service providers
- Unallocated or unused funds should revert back to categories in the Fund
- Funding should focus on short- and medium-term initiatives with measurable outcomes linked to citizen priorities
- An endowment to perpetuate benefits from the Tobacco Settlement is essential

IMPROVING HEALTH, EDUCATION AND FAMILIES' LIVES

FY 2001 –Immediate Action

For FY 2001 the administration proposes funding a broad spectrum of new programs within the four priority areas of *Tobacco Control, Health Promotion, Education, and Families*. The following narrative outlines proposed programming for FY 2001 using \$64.1 million, of the \$79.5 million available, from the Tobacco Settlement Trust Fund. Greater detail on the components and individual costs of these programs is included at the end of this paper.

Reducing Tobacco Use and Promoting Choices for Healthier Lifestyles

The high human and monetary costs of smoking-related illnesses place an enormous burden on our community. Mayor Williams is committed to significantly reducing tobacco dependency in the District. In FY 2001, the administration will implement the first phase of a comprehensive approach to fighting tobacco use and promoting health. The focus is two-fold: launching tobacco control initiatives that reduce smoking and other tobacco uses, and promoting healthier lifestyles through efforts that educate and support individuals in making healthy choices. The activities planned for FY 2001 build on existing health promotion efforts and delivery systems. They target residents' smoking patterns and the relationships between smoking and other substance addictions, encourage healthy lifestyles, and they reflect the cultural differences among the District's varied population.

Tobacco Control and Reducing Its Use

Cost: \$7.5 million

The cornerstone of a comprehensive tobacco use prevention approach is community involvement in changing the environments that promote tobacco use and lead to smoking-related illnesses. Examples include training parents about the dangers of second-hand smoke and providing peer leadership training that engages youth in combating tobacco use and tobacco product sales to minors. At the same time, these community-based efforts will educate individuals and provide treatment for those who wish to quit, but better District-wide efforts are needed to help inform a wide spectrum of residents and to improve our capacity to enforce current laws. In particular, media campaigns are planned that will target adolescents and ethnic communities where tobacco use rates continue to rise. Together, both the community-based and District-wide efforts proposed by the administration provide a starting point for our long-term commitment to significantly reduce tobacco use in the District.

*Promoting Healthier Lifestyles**Cost: \$3.8 million*

While the District has made significant strides in improving key aspects of the population's health, much more needs to be done. **The administration proposes using Tobacco Settlement dollars to mount a major health promotion campaign focusing on encouraging healthier choices among the District's residents, especially African Americans and other population groups at high risk of developing tobacco-related illnesses.** The city's rates of death from untreated coronary disease, diabetes, and cancer, among other chronic diseases, continue to be among the highest in the nation. The city must do more to aid these individuals in receiving early treatment. School age children should also be a priority for health promotion. For this reason, the administration proposes the implementation of a pilot effort to enhance the capabilities of schools without school-based health centers to do health care outreach. These efforts recognize the important role each individual plays in improving our community's health.

Improving the Health of People and the Delivery System

One of the primary goals of this administration is to increase access to primary and preventative services. Tobacco funds can aid the District in achieving this goal. Building our health care system's capacity to deliver high quality, community-based care in appropriate and pleasant environments is a key component of the Health Care System Development Commission's recommendations.¹ To achieve its goals for health improvement in FY 2001, the administration proposes activities in two key areas – improving the District's network of neighborhood-based health centers that provide quality primary care for insured and uninsured individuals, and expanding insurance coverage for health care and pharmaceuticals.

*Improving the Health Care Delivery Network**Cost: \$12 million*

Too many District neighborhoods lack an easily accessible health center. This access barrier poses the greatest challenge for uninsured individuals who often wait until their conditions are too severe to avoid treatment. These individuals are more likely to end up in the District's emergency rooms where care is more costly and time-consuming. To improve this situation, the administration proposes:

- A short-term program that would increase the Medicaid payments to these clinics and help offset the costs of providing care for 18,000-20,000 uninsured persons.
- Health center renovation and the establishment of centers in underserved sections of the District to significantly improve the availability of health services.
- Increasing the availability of health services for seniors through a pilot initiative that will provide screening and education at non health-related community facilities.

¹ Established in October 1999 by the Mayor and the Council, the Commission provided recommendations in February 2000 on strategies for improving the District's health system.

Expanding Coverage

Cost: \$13.4 million

A fundamental strategy for improving health is to increase the number of District residents who have insurance coverage. This strategy was also a critical component of the Health Commission's recommendations. To accomplish the goal of covering additional individuals, the administration proposes three short-term funding efforts:

- Extending DC Healthy Families coverage to adults without dependent children up to 50% of the federal poverty level, which will provide coverage to an additional 7,400 currently uninsured individuals.
- Providing HMO coverage for 833 immigrant children.
- Covering drug costs for individuals without prescription insurance benefits -- for over 17,000 prescriptions.

All three of these efforts will use tobacco funds for their start-up phases. Medicaid savings emanating from these and other Commission recommendations on the health care system, as well as phased-in fund reallocations, will provide long-term funding. Together with increasing service availability, coverage expansion will aid the District in receiving better value for its health care dollars.

Building a Quality Educational Environment

The Administration is committed to excellent public education for all students. A quality educational environment is the product of solid management operations, up-to-date technology and infrastructure, and, most importantly, a pipeline for leadership at the school level. Using settlement funds to recruit, retain, and reward quality teachers and principals; fully integrate the use of technology; and provide training and incentives for teachers to become nationally certified are important elements of overall D.C. Public School's efforts to realize the educational promise of students. These supports for public schools build the stable environment in which students can thrive.

Filling the Digital Divide: Integrating Technology in Schools

Cost: \$5 million

The school system recognizes the need to bring schools into the 21st century in their use of technology as both a curricular and a communication tool. However, the system is struggling to keep up with technological advances, to acquire sufficient hardware and software to permit full access for all students, and to provide all buildings with full infrastructure of lines and wiring. Given the many competing and immediate needs in schools, this is an area where the city's help in direct funding and in leveraging the resources of a technology-abundant region is critical. These are the nuts and bolts that, once put in place, enable the schools to build technology and communication-rich environments.

Some of the needed pieces are in place. All 2nd and 3rd grade classrooms, all middle and junior high classrooms and additional classrooms and libraries have been equipped with computers, and DCPS is now putting computers into all 4th and 5th grade classrooms. In addition, all schools have Internet access, but many of the classrooms, libraries and labs in each do not. Some schools have only limited telephone lines and most classrooms are connected to school offices only by their public address systems. Most teachers have no in-school access to e-mail.

Establishing a Teacher Fellows Initiative

Cost: \$3.2 million

Teacher quality is the number one predictor of student success, according to not only parents and common wisdom, but considerable research. This program intends to elevate the profession for interested new recruits who have other career experience and to reward them for joining the teaching ranks. It will recruit from among Washington, D.C.'s most outstanding citizens, select 100 of them through a rigorous screening process, train them, connect them to one another as a cohort, provide them ongoing support, and expect a commitment of at least four years of teaching in D.C. Public Schools. They will receive fellowships to enroll in alternate-route teacher training programs in D.C. and will receive signing bonuses up to \$20,000, at \$5,000 per year if they remain in the system for four years. **The Mayor believes that these programs will not only become an important source of highly qualified new teachers in critical specialty areas and in D.C.'s most high-need schools, but also that it can be a pipeline for educational leaders in our city.**

Instituting a LEAD Principals Initiative

Cost: \$1.5 million

The Superintendent has given much attention to the evaluation and training of principals, and to recruiting outstanding candidates to fill vacancies. **But the District of Columbia must do more because the wave that has yet to crest is a crisis in school principal recruitment and retention,** according to senior staff members of the Council of Great City Schools. School leadership is analogous to a city or a nation's – the leader has the power to set a tone and a culture for excellence. A 1998 study by the National Association of Elementary School Principals found that half of the 403 school districts surveyed had shortages of K-12 principals.

Incentives must reflect the value that the system places on their role. A competitive salary and promising professional experiences and support top the list of effective inducements to become a principal in DCPS. To place exceptional school leaders in the DC public schools, as school-based catalysts for systemic reform and as persons capable of creating a marked change in school culture and student achievement, the Mayor proposes to work with the business community and the Superintendent to identify and recruit, both from within its ranks and from other school systems around the country, a group of 30 LEAD Principals for schools targeted for additional assistance.

Place National Board Certified Teachers in Schools

Cost: \$500,000

The goal is to place a Nationally Board Certified teacher in every school by 2003. This initiative will afford 150 teachers the opportunity to compete for National Board Certification, a process that parallels National Board Certification in medicine, and mirrors the demonstration of advanced professional skills and knowledge required of engineers and architects according to evolving standards defined by the profession itself. By infusing these Nationally Certified teachers into the system, the pipeline is further extended to build capacity classroom-by-classroom. This initiative takes a powerful stand for getting good teachers to stay in the classroom and to further develop their professional skills.

Achieving Better Qualities of Life for Youth and Families

Improving the lives of children, youth, and their families is a high priority for the Williams administration. Since 1999, several major initiatives, such as the Children and Youth Investment Trust and the Safe Passages Plan have been launched in an effort to increase the availability of support

services and programs for the District's children. The Safe Passages Plan outlines five important goals for children and youth of the District:

- Children are ready to learn upon entering school
- Children and youth are succeeding in school
- Youth are developed into successful youth adults
- Children, youth and their families are healthy
- Youth-on-youth violence is reduced, particularly in school settings

While these efforts have certainly redefined the landscape of children's services, there remains much to be done. The tobacco settlement funds provide a watershed opportunity to realize many important goals and dreams for our children. A number of important efforts are underway, and a lot of exciting and meaningful proposals are being developed, all designed to make the District of Columbia a better place to raise children.

Children and Youth Investment Trust

Cost: \$10 million

The Children and Youth Investment Trust Corporation (CYITC) is the principal public/private mechanism for leveraging funds to support community-based organizations involved in the provision of high quality, results-oriented programs for children and youth. In FY 2000 the CYITC was established with \$15 million. An additional \$10 million is requested from the tobacco settlement fund. The Trust funds programs in three critical areas: early childhood development for parents; out-of-school time activities; and, youth entrepreneurship activities. In its first grant cycle for FY 2000, the Trust received more than 180 letters of inquiry from community based organizations. Requests in the area of early childhood/parent education totaled over \$10.4 million dollars; out-of-school time activities totaled more than \$32.7 million; and youth entrepreneurship totaled more than \$12.2 million, for a grand total of more than \$55 million in requests. These figures represent not only the readiness of the community to improve the lives of children and youth, but also illustrate the dearth of high quality, results-oriented programming for our city's young people. This support will enable the CYITC to continue the work underway to ensure that the District will be able to continue to build a stable and effective network of out-of-school time enrichment programs for children that contribute to their development into productive and happy adults.

Intergenerational Foster Care Community

Cost: \$4.7 million

Mayor Williams has committed to ensuring permanent homes and loving families for our children in the foster care system. The development of a community where hard-to-place foster care children can live in family settings and benefit from nurturing relationships with caring adults is an important goal for Mayor Williams. A few such communities are in existence in cities around the country where adoptive and foster families live in neighboring areas. To create an intergenerational link, senior citizens commit to spending time with the children on a weekly basis in exchange for affordable, quality housing. No child should be without the benefit of family, and this plan will ensure that more children know the love and warmth of a stable family and a caring community. An endowment, established through tobacco settlement funds, would fund the refurbishment of blighted homes and apartment buildings in a single

community for adoptive/foster children, their families and guardians, and senior citizens. In exchange for low-cost, affordable housing, senior citizens would be required to commit to spending six hours per week with children of the community.

Safe Kids DC

Cost: \$500,000

Two vital components of the District's efforts to protect children and youth involve instituting criminal background checks and mandatory drug testing on District employees providing direct services to children. The ***Safe Kids DC*** initiative protects children by establishing mechanisms to provide greater assurance that they interact with mature, supportive, and caring adults.

Map to Inclusion

Cost: \$2 million

The Department of Parks and Recreation currently operates therapeutic recreation centers that provide inviting environments for children and adults living with physical and mental challenges. To achieve long-term community awareness and acceptance of these individuals, change must be targeted at the neighborhood level where real-life, day-to-day decisions, mores and values are nurtured and developed. The administration proposes using Tobacco Settlement funds to add 33,000 hours of therapy at the centers that will aid persons with disabilities in building the skills needed to fully interact with their peers within their residential communities.

PROTECTING A LONG-TERM RESOURCE

FY 2002 and Beyond –Long Term Plan (Phase II)

After meetings with community representatives and advocates for health and youth issues the administration developed a process for managing and distributing Tobacco Settlement funds from FY 2002 until the payments end in 2025 or later. The proposed process segregates Trust Fund monies into three categories. Two would involve the development of annual plans for allocating up to 60 percent and up to 30 percent of funds received each year. The third category encompassing 10 percent of the funds will be invested annually to create a self-sustaining community endowment. This process builds in citizen participation in the allocation process while still building on District government infrastructure and existing programs. Legislation submitted to the Council would establish the funds distribution process and protect the Fund from programming outside of ***Tobacco Control, Health Improvement, Education Enhancement, and Improving the Lives of Families and Youth***. Funds disbursed under the 60 percent and 30 percent categories would only be used for limited-term programming linked to community priorities and the Council and administration's strategic priorities. Both of these categories would require Council and Mayor's approval for expenditure. Monies unallocated or unspent (by the appropriate date) in the 60 and 30 percent categories would remain available for spending within those categories in subsequent fiscal years unless such funds were designated for the endowment.

Setting Annual Priorities and Distributing Funds

60% -- priorities will be identified each year by an advisory commission comprised of administration officials, Councilmembers, and tobacco, health, and youth experts appointed by the Mayor and the Council. The commission will recommend annual priorities and initiatives, and identify effective program and project-funding disbursement strategies including, where feasible, minimum levels of funding for competitive grants to community-based providers. The commission would also identify outcome measures to guide allocations. By FY 2002, an annual comprehensive tobacco plan will be approved by the commission. The Administration proposes full funding of this plan or allocating 30 percent (of the 60 percent) to antismoking-related programs, whichever is greater.

30% -- will fund annual initiatives identified and approved by the Mayor and the Council in the process already established in law, except that expenditures would be limited to the four target areas.

10% -- annually will be deposited in an income-generating community endowment. At the end of a specified period, a portion of the interest earned could fund community capacity-building initiatives.

The Ten Percent Endowment Fund – Investment

The reinvestment of a portion of the settlement payment each year is an important strategy that will enable the Fund to continue to exist and grow beyond the 25-year or more span of the settlement payments. In that regard, the Mayor seeks to set aside 10 percent of the annual proceeds for an endowment fund, which would partially protect the city in the event that future Settlement payments are curtailed. The funds will help ensure that Tobacco Settlement Trust Funds resources will continue to serve the District long after Settlement payments cease. In 2012, a portion of the interest earned will be available for capacity-building grants to community entities. The distribution of these funds would be determined by a community advisory board established to oversee the endowment. The Mayor and the Council could designate an outside entity to manage the fund.

Conclusion

The funds provided by the Tobacco Settlement Trust Fund are an important source of support for District-wide improvements in health, education, and families' lives. Because these funds were derived from the cost of treating illnesses caused by tobacco use, the administration proposes a broad strategy for both the long-term and interim use of these funds that will directly impact the health and well-being of our community. This proposal also defines a significant role for the community in guiding distribution of the funds while building on the strong infrastructure the District government provides.

Detailed List of FY2001 Tobacco Use Reduction, Healthy Lifestyles, Education, and Family Improvements:

Tobacco Control (\$7.5 million)

<u>Community Participation Programs</u>	<u>Total Cost: \$1,221,000</u>
• Neighborhood-led education and training programs to reduce environmental smoke	\$200,000

Tobacco Settlement Trust Fund

- Community grants aimed at changing community-wide norms and attitudes about cigarette smoking \$312,500
- Youth-led activities including youth leadership institutes and rallies \$158,500
- Community grants for target population groups (ethnic, cultural, gay and lesbian youth, homeless persons, incarcerated persons, out-of-school youth) \$200,000

Chronic Disease Prevention and Health Promotion Total Cost: \$2,785,000

- Public Service Announcements (PSA) \$330,000
- Integration with community education and treatment \$275,000
- New cancer screening programs \$80,000
- Exercise programs for persons with chronic diseases \$175,000
- Asthma education \$210,000
- Oral cancer education and screening program \$165,000
- Emergency measures to counter environmental threats \$193,000
- Education for pregnant teens on the relationship between birth weight and maternal smoking and second-hand smoke \$320,000
- Professional education for physicians and dentists \$135,000
- Case management for smokers with smoking-related illness \$1,020,000
- Nutritional counseling for ex-smokers \$195,000
- Initiatives to increase access to services \$72,000

School-Based Programs Total Cost: \$ 796,000

- Adaptation of existing curricula for cultural appropriateness \$275,000
- Four new tobacco-use prevention educators \$180,000
- Production and distribution of educational materials for 50,000 children \$200,000
- Audio-visual equipment and supplies \$27,000
- School contests and rallies and grants to youth groups \$44,000
- Teacher and school staff training \$40,000
- Parent-to-parent training on dangers of secondhand smoke \$30,000

Enforcement of Tobacco Laws Total Cost: \$378,000

- Unannounced vendor compliance checks \$68,000
- Increase staff to enforce tobacco laws/policies \$150,000
- Computerized citizen complaint and response tracking system \$85,000
- Public education on ways to aid tobacco law enforcement \$75,000

Statewide Programs Total Cost: \$212,000

- Development of resources for community groups \$95,000

Tobacco Settlement Trust Fund

- Website about community action and youth-led activities \$40,000
- Translation and outreach activities to reach ethnic groups \$77,000

Counter Marketing Total Cost: \$529,000

- Media campaign aimed at mobilizing youth to civic activism \$325,000
- Community-based, person-to-person efforts \$204,000

Smoking and Tobacco Use Cessation Programs Total Cost: \$581,000

- “Helpline” telephone counseling and referral service for cessation treatment \$325,000
- Cessation services for at-risk populations including, pregnant women, out-of-school youth, immigrants, disabled individuals, and treatment services \$332,500
- Smoking cessation programs for adolescents \$42,000
- Subsidies for nicotine patches, pharmaceuticals, and other smoking cessation products \$56,500

Monitoring & Evaluation Total Cost: \$651,000

- Epidemiological support to eliminate biases in existing District data and develop baselines on hard-to-assess populations \$381,000
- Development of monitoring and accountability models and consultant to assess outcomes \$270,000

Health Promotion (\$3.8 million)

Reaching Out to Communities of Color Total Costs: \$2,100,000

- Train-the-trainers program \$300,000
- Community-based lipid, diabetes, and asthma screening and education \$500,000
- Parish nurses program \$300,000
- Ethnic media campaign \$600,000
- Translation and cultural appropriateness \$200,000
- Ombudsman \$100,000
- Childcare \$100,000

Media campaign to Reduce Infant Mortality Total Costs: \$1,500,000

- Targeted media effort including public service announcements \$600,000
- Materials for public dissemination \$300,000
- Radio and television time \$400,000
- Mail-based campaigns and rallies, and partnerships with community-based organizations \$200,000

School-Based Wellness Centers (pilot) *Total Costs: \$200,000*

- Materials and supplies for 6 schools without school-based health centers

Improving Health of the People and the Delivery Network (\$25.4 million)

Delivery System *Total Costs: \$12,000,000*

- Increased Medicaid reimbursements for public and private health centers \$6,000,000
- Capital improvement fund for health centers \$5,000,000
- Senior Wellness Center initiative \$1,000,000

Coverage Expansion *Total Costs: \$13,400,000*

- DC share of Medicaid coverage expansion to 50% FPL \$10,000,000
- Health coverage for immigrant children (833 children) \$2,400,000
- Prescription coverage (over 17,000 prescriptions) \$1,000,000

Building a Quality Educational Environment (\$10.2 million)

Technology Improvements *Total Costs: \$5,000,000*

- Match FCC E-rate grant needed to fully wire 150 schools (phones and internet) \$4,000,000
- Install “homework hotlines,” voicemail systems, improve communications between teachers and parents \$1,000,000

Teacher Fellows *Total Costs: \$3,200,000*

- Salary incentives (100 teachers over 4 years) \$2,500,000
- Teacher training leading to more licensed teachers (100 teachers over 4 years) \$700,000

LEAD Principals *Total Costs: \$1,500,000*

- Incentives to aid DCPS in attracting outstanding principals (30 x \$50,000 per school; \$25,000 in incentives to principals, \$25,000 in incentives to schools)

National Board Certification *Total Costs: \$500,000*

- Providing support for teachers to attain National Board Certification (\$3,000 plus per teacher x 150 teachers)

Improving the Lives of Families and Youth

CYIT *Total Costs: \$10,000,000*

- Community grants for children & youth programs

Intergenerational Foster Care Communities Total Costs: \$4,700,000

- Community facilities including pool, computer lab, and child development center \$1,850,000
- Housing development (12 homes and 3 apartments) \$2,850,000

Safe Kids DC Total Costs: \$500,000

Map to Inclusion Total Costs: \$2,000,000

- Socialization skills for individuals with special needs.
(33,000 hours of therapy for 600 individuals)